

## Message Text

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SUBJ: SOVIET CHEMICAL INDUSTRY SURVEY AT PARTY CONGRESS

REF: MOSCOW 3250

1. SUMMARY. IN TYPICALLY EBULLIENT, OUTSPOKEN STYLE, CHEMICAL INDUSTRY MINISTER KOSTANDOV ADDRESSED TWENTY FIFTH PARTY CONGRESS PLEDGING SOVIET CHEMISTS' EFFORTS TO FULFILL TASKS SET BY PARTY. HIGHLIGHTING HIS MINISTRY'S ACHIEVEMENTS DURING NINTH FIVE YEAR PLAN, KOSTANDOV NOTED PARTICULARLY CURRENT USSR LEADERSHIP IN GLOBAL PRODUCTION OF MINERAL FERTILIZERS, CIRCUMSTANCE THAT CHEMICAL INDUSTRY'S RETURN HAS NOW EXCEEDED INVESTMENT FOR FIRST TIME, AND SUCCESSFUL DEVELOPMENT OF INDUSTRIAL COOPERATION WITH WESTERN COUNTRIES,

INCLUDING US. PROBLEM AREAS REMAIN: LOW RETURN ON CAPITAL INVESTMENT

,  
PLANNING ERRORS, SLOW PACE OF INTRODUCTION OF SCIENTIFIC ADVANCES, AND

CONTINUING PROBLEMS WITH OUTPUT QUALITY. GOALS FOR TENTH PLAN INCLUDE

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OVERALL 76 PERCENT OUTPUT INCREASE BY 1980 (INCLUDING 143 MILLION TONS

MINERAL FERTILIZER. EMPHASIS WILL BE ON RE-EQUIPPING OF EXISTING FACILITIES, WITH NEW CONSTRUCTION CONCENTERATED IN LARGE UNITS

EMPLOYING LATEST TECHNOLOGY. MAIN EFFORT WILL BE TO BRING NEW PLANTS TO RATED CAPACITY ON SCHEDULE. NOW ONLY A LEVEL OF TWO-THIRDS IS BEING ACHIEVED IN TIME ALLOTTED. OTHER PROBLEM AREAS ARE CHEMICAL MACHINE BUILDING AND FAILURE OF OTHER INDUSTRIES TO TAKE ADVANTAGE OF NEW PRODUCTS AVAILABLE FROM CHEMICAL INDUSTRY. MAJOR ROLE OF CHEMICAL INDUSTRY IN IMPROVING QUALITY AND QUANTITY OF CONSUMER GOODS WAS ALSO EMPHASIZED IN PREMIER KOSYGIN'S MARCH 1 SPEECH, AS WAS NECESSITY FOR "CHEMICALIZATION" OF AGRICULTURAL PRODUCTION. KOSYGIN ALSO WAS CRITICAL OF "DISPROPORTIONATE" DEVELOPMENT IN SOME SECTORS OF CHEMICAL INDUSTRY. END SUMMARY.

2. MINISTER OF CHEMICAL INDUSTRY, L.A. KOSTANDOV, GAVE A RELATIVELY STRAIGHT-FORWARD ASSESSMENT OF STATE OF USSR CHEMICAL INDUSTRY TO PARTY CONGRESS ON FEBRUARY 27. SPEECH FOLLOWED USUAL PATTERN OF HIGHLIGHTING ACHIEVEMENTS DURING NINTH PLAN (1971-75). OVERALL PRODUCTION INCREASED BY 70 PERCENT, USSR TOOK LEAD IN WORLD MINERAL FERTILIZER PRODUCTION, AND FOR FIRST TIME RETURNS, "PRIBYL", WHICH AMOUNTED TO 17 BILLION RUBLES, EXCEEDED INVESTMENTS OF 14 BILLION RUBLES. PROMINENTLY MENTIONED WERE INDUSTRIAL COOPERATION PROJECTS WITH WESTERN COUNTRIES, AND PARTICULARLY THE OCCIDENTAL FERTILIZER DEAL WHICH IS REGARDED AS A MUTUALLY BENEFICIAL USE OF RESOURCES OF BOTH COUNTRIES AND A MATERIAL UNDERPINNING FOR DETENTE. KOSTANDOV SAID THAT TEN YEARS AGO SUCH A LEVEL OF COOPERATION WITH WEST WAS NOT EVEN IMAGINED.

3. MINISTER, HOWEVER, WAS NOT SATISFIED WITH STATE OF USSR CHEMICAL INDUSTRY AND ACKNOWLEDGED AS CORRECT CRITICISMS DIRECTED AT HIS MINISTRY DURING CONGRESS. MAIN SHORTCOMINGS INCLUDE LOW EFFECTIVENESS OF CAPITAL INVESTMENT, PLANNING ERRORS, SLOW PACE OF INTRODUCTION OF SCIENTIFIC DISCOVERIES, AND LITTLE IMPROVEMENT IN QUALITY AND ASSORTMENT OF GOODS. THESE PROBLEM AREAS MUST BE CORRECTED AND LABOR PRODUCTIVITY AND MANAGEMENT IMPROVED. CAPITAL INVESTMENT EFFECTIVENESS MUST BE ENHANCED THROUGH EMPHASIS ON RECONSTRUCTION AND INTENSIFIED UTILIZATION OF EXISTING PLANT CAPACITY. NEW CONSTRUCTION WILL BE IN UNITS UTILIZING LATEST TECHNOLOGY, AND ECONOMY OF SCALE. INTEGRATED PROCESSES ARE TO BE BROADLY INTRODUCED.

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4. SPECIFIC GOALS FOR TENTH PLAN (1976-80) ARE TO PRODUCE 143 MILLION TONS OF MINERAL FERTILIZER BY 1980, WHICH WILL "REQUIRE MORE CAPITAL INVESTMENT THAN IN PREVIOUS THREE PLANS COMBINED." OUTPUT OF PLASTICS IS TO GROW BY ABOUT 3 MILLION TONS WHICH IS "MORE THAN WAS PRODUCED IN LAST 15 YEARS." PRODUCTION FOR CONSUMER GOODS IS TO RECEIVE "SPECIAL ATTENTION" AND OVERALL CHEMICAL INDUSTRY OUTPUT IS TO INCREASE BY 76 PERCENT. KOSTANDOV NOTES THAT PARTY AND GOVERNMENT HAVE ALLOCATED LARGE SUMS FOR CAPITAL CONSTRUCTION IN CHEMICAL INDUSTRY AND MAIN TASK NOW FOR MINISTRY IS TO USE NEW FACILITIES EFFECTIVELY. KEY PROBLEM THEREIN IS FOR NEW PLANTS TO REACH PLANNED CAPACITY ON SCHEDULE. AT PRESENT, ONLY TWO-THIRDS OF RATED CAPACITY OF NEW PLANTS IS BEING INTRODUCED IN TIME ALLOTTED.

5. ANOTHER PROBLEM IS THAT CHEMICAL INDUSTRY ACHIEVEMENTS ARE NOT BEING QUICKLY APPLIED BY OTHER INDUSTRIES. TOO MUCH WOOL, COTTON AND FLAX ARE BEING USED BY TEXTILE INDUSTRY RATHER THAN SYNTHETIC FIBERS. PAINT INDUSTRY USES TOO MUCH PLANT AND ANIMAL OIL. AND EXCESSIVE METAL IS USED FOR PIPE EVEN THOUGH POLYMER PIPES HAVE BEEN SHOWN TO BE ECONOMICALLY-TECHNICALLY EFFECTIVE. ACCORDING TO KOSTANDOV, IF BY END OF TENTH PLAN OR BEGINNING OF ELEVENTH (1981-85), OUTPUT OF 500,00 TONS OF POLYMER PIPE COULD BE ORGANIZED, IT WOULD BE POSSIBLE TO SAVE 15-20 MILLION TONS OF METALLIC PIPE DURING ELEVENTH PLAN PERIOD. CHEMICAL MACHINERY INDUSTRY DEVELOPMENT MUST ALSO KEEP PACE, WHICH IT HAS NOT DONE TO DATE, IF CHEMICAL INDUSTRY IS TO DEVELOP ACCORDING TO PLAN.

6. PREMIER KOSYGIN'S REPORT TO PARTY CONGRESS ON MARCH 1 REPEATED SAME GENERAL POINTS REGARDING CHEMICAL INDUSTRY MADE BY KOSTANDOV. HE REAFFIRMED PRODUCTION GOALS FOR MINERAL FERTILIZER, SAID THAT OUTPUT OF POLYMER MATERIALS WILL MORE THAN DOUBLE, AND CALLED FOR INCREASED PRODUCTION OF SYNTHETIC RUBBER AND FIBERS. MINISTRY OF CHEMICAL INDUSTRY WAS SPECIFICALLY TASKED WITH PROVIDING QUALITY DYES, SYNTHETIC FIBERS, AND POLYMER MATERIALS FOR USE IN CONSUMER GOODS PRODUCTION. KOSYGIN ALSO ECHOED KOSTANDOV'S CALL FOR MORE USE OF SYNTHETIC MATERIALS IN ORDER TO REDUCE CONSUMPTION OF VEGETABLE OIL AND AGRICULTURAL RAW MATERIALS IN INDUSTRIAL APPLICATIONS. HE LINKED INCREASED HARVEST YIELDS WITH "CHEMICALIZATION" OF AGRICULTURAL PRODUCTION AND SAID 467 MILLION TONS OF MINERAL FERTILIZER WOULD BE PROVIDED TO AGRICULTURE DURING TENTH PLAN PERIOD.

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MINISTRY OF CHEMICAL INDUSTRY WAS LAUDED FOR GOOD RECORD IN ENVIRONMENT CONTROL BUT KOSYGIN WAS CRITICAL OF "DISPROPORTIONATE" DEVELOPMENTS WITHIN SOME SECTORS OF CHEMICAL INDUSTRY. AND HE EMPHASIZED SIGNIFICANCE OF RE-EQUIPPING ENTERPRISES THROUGH INTRODUCING LARGE INTEGRATED AGGREGATES AND NEW TECHNOLOGICAL PROCESSES.

7. COMMENT: CHEMICAL INDUSTRY WILL CLEARLY CONTINUE TO PLAY PROMINENT ROLE IN DEVELOPMENT PLANS DURING 1976-80, PARTICULARLY IN FERTILIZER PRODUCTION AND CONSUMER GOODS, AS WELL AS BASIC INDUSTRY. KOSTANDOV, WHILE ACKNOWLEDGING SHORTCOMINGS, IS ALSO MAKING THINLY VEILED APPEAL FOR CONTINUED HIGH LEVEL OF INVESTMENTS IF CHEMICAL INDUSTRY IS TO BE EXPECTED TO ACHIEVE NEW PRODUCTION TARGETS. AND MINISTER APPARENTLY HAS LINED UP WITH THOSE WHO ARE ARGUING FOR INCREASED ECONOMIC COOPERATION WITH WEST, EVEN IF THIS IMPLIES LONG-TERM "MORTGAGING" OF CERTAIN RESOURCES OR PRODUCTION, AS A PRINCIPAL MEANS OF OBTAINING NECESSARY EQUIPMENT AND TECHNOLOGY. HIS FRAME OF REFERENCE, HOWEVER, DID NOT GO BEYOND TRADITIONAL FORM OF COMPENSATION-TYPE AGREEMENT WITH WESTERN PARTNERS. KOSYGIN'S REMARKS FURTHER HIGHLIGHT ENHANCED ROLE OF MINISTRY OF CHEMICAL INDUSTRY AND EXPECTATION OF IMPROVED PERFORMANCE. OF PARTICULAR NOTE WAS SIGNIFICANCE HE ATTACHED TO CHEMICAL INDUSTRY'S INCREASE

IN OUTPUT FOR CONSUMER ORIENTED PRODUCTS.  
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